

Message Text

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PAGE 01 STATE 207041

64

ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

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DRAFTED BY EB/FTD:AJWILLIAMS:HM

APPROVED BY EB/FTD:CANGEVINE

EA/ROC-GSCOTT

USDA - GRATHELL

USDA - KSTEPHENS

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R 300035Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 207041

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT:COTTON CONTRACTS

REF: TAIPEI TOFAS 114 TAIPEI 5274

PASS AGATT

1. WE NOTE FROM REFTEL THAT 17 MILLS ARE PRESENTING A VARIETY OF EXCUSES FOR NOT OPENING L/C'S FOR CONTRACTS ON ANNEX. WE FEARED THIS MIGHT BE A PROBLEM, PARTICULARLY IN TAIWAN WITH ITS MANY, SMALL MILLS AND ASSURANCES WERE WRITTEN IN SUCH A WAY THAT FINAL RESPONSIBILITY BOTH FOR FUNDING AND FOR ASSURING THAT L/C IS OPENED RESTS WITH HOST GOVERNMENT.

2. ASSURANCES ALSO CONTAINED EXPLICIT SCHEDULES FOR OPENING OF PAST DUE L/C'S. THIS PROVISION WAS INCLUDED
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PAGE 02 STATE 207041

TO PREVENT A MILL FROM ATTEMPTING TO RENEGOTIATE THEIR

CONTRACTS BY OFFERING TO OPEN L/C'S FOR ONE SHIPPERIN
ADVANCE OF ANOTHER. IMPLICIT IN CONCEPT OF SCHEDULE, WAS
IDEA THAT HOST GOVERNMENT WOULD NOT ALLOW INDIVIDUAL MILLS
TO TWART ASSURANCES BY USING DISPUTED CONTRACTS AS REASON
FOR OPENING NO FURTHER L/C'S.

3. WE UNDERSTAND GROC THUS FAR DECLINED EXTEND
SANCTION TO 17 MILLS (OF TOTAL OF 71 MILLS) WHO ARE
REFUSING TO OPEN L/C'S DUE TO DISPUTES. THUS, 24 PER
CENT OF MILLS ACCOUNTING FOR 25 PERCENT OF COTTON ON
ANNEX (BY BALES) AND 43 PERCENT OF COTTON STILL OUT-
STANDING ARE, THUS, BEING EXEMPTED FROM MEASURES
NECESSARY TO IMPLEMENT ASSURANCES. SIX OF 17 MILLS
CLAIM DELAYS IN RECEIPT OF MACHINERY AS REASON FOR NOT
OPENING L/C'S.

4. OUR POSITION REMAINS THAT 1) GROC MUST EXTEND
SANCTIONS TO ALL MILLS WHICH HAVE NOT OPENED L/C'S
IN ACCORDANCE WITH SCHEDULE IN ASSURANCES AND 2) GROC
MUST TAKE OTHER STEPS (INCLUDING FINANCIAL AID IF
NECESSARY) IF MILLS STILL REFUSE TO OPEN CREDITS. INGERSOLL

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